

## Media Backgrounder

TORONTO, July 17, 2002

### Sanctions for Auditors

The Canadian Public Accountability Board (CPAB) will have contractual agreements with firms auditing public companies and it will be able to impose sanctions directly on auditors. Any sanctions it does impose will also be reported to other regulatory bodies for the appropriate follow-up. The CPAB will also refer matters to provincial CA Institutes/Ordre for discipline purposes.

In addition, provincial securities commissions intend to circulate for public comment new rules that will require auditors of Canadian publicly listed companies to comply with CPAB requirements.

#### CPAB Sanctions

- CPAB sanctions include:
  - contract cancelled;
  - a written reprimand or censure;
  - failure to meet conditions placed on the operations of a firm may lead to the firm being referred to appropriate regulators, who may take action.

The CPAB will also have the ability to impose the following sanctions on an immediate, interim basis, pending an investigation by a provincial CA Institute/Ordre:

- suspension of contract until certain conditions are met;
  - condition/restrictions could be placed on all or a part of a firm or on individual partners;
  - satisfactory completion of a period of supervised practice;
  - restriction of the type of current or future engagements that may be performed; and
  - restriction of the specific types of current or future clients for which professional services may be performed.
- Through the National Inspection Unit (NIU) the CPAB would refer the following matters to provincial CA Institutes/Ordre for the appropriate follow-up:
    - a report on any sanctions taken against a firm by the CPAB; and
    - any other matters that the CPAB believes warrant investigation by a provincial CA Institute/Ordre.
  - The provincial CA Institutes/Ordre would deal with matters affecting the public interest within 30 days.
  - The provincial CA Institutes/Ordre would report back on the resolution of matters referred by the CPAB.
  - If the CPAB is not satisfied with the resolution of any matter referred to the provincial CA Institutes/Ordre it will pursue available appeal mechanisms.

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## **Provincial CA Institute/Ordre Sanctions**

### ***Individuals***

- Where a member or professional corporation having only one CA shareholder is found guilty, a provincial CA Institute/Ordre discipline committee may order one or more of the following sanctions:
  - a written reprimand;
  - suspension from membership or loss of registration as a professional corporation;
  - expulsion from membership;
  - satisfactory completion of prescribed professional development course(s);
  - satisfactory completion of a period of supervised practice;
  - restriction of the type of current or future professional engagements the member or professional corporation may perform;
  - re-investigation by the professional conduct committee;
  - a fine; and
  - publication of the committee's decision and order.\*

\* Where the public interest is at stake or a member is expelled, the name of the individual and the nature of the matter is published in a national newspaper and a local newspaper in the location in which the individual practices. This would also apply to firms.

### ***Firms***

- Legislation permitting provincial CA Institutes/Ordre to sanction firms exists in Alberta, Ontario and New Brunswick. Other provinces are developing similar legislation.
- Where a firm or professional corporation having two or more CA shareholders is found guilty, the provincial CA Institute discipline committee may order one or more of the following sanctions:
  - a written reprimand;
  - establishment of a professional training program in appropriate areas of practice;
  - establishment, maintenance and upholding of quality control procedures for the practice;
  - satisfactory completion of a period of supervised practice;
  - restriction of the type of current or future engagements that may be performed;
  - restriction of the specific types of current or future clients for which professional services may be performed;
  - re-investigation by the professional conduct committee;
  - a fine; and
  - publication of the committee's decision and order in the provincial newsletter and provincial Web site.

In addition, in respect of a firm or professional corporation, the partner(s) or shareholder(s) who have been identified by the discipline committee as having authority for complying with the terms of the order of the discipline committee may be suspended or expelled from membership in the Institute if the firm or professional corporation does not comply with the terms of the order.

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